

BULLETIN

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Implications of the Opening of the Labour Market on Polish-German Relations

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German society perceives the imminent abolition of restrictions on freedom of movement for workers as a threat. The fear of an influx of cheap labour has risen despite the good state of the German economy. This situation requires a sound information policy, especially on the German side, showing the positive aspects of migration. At the same time, the expected influx of Polish workers creates the opportunity to modernize the activity of Polish organizations in Germany.

From May this year, restrictions will be lifted on the free movement of workers originating from the countries of Central and Eastern Europe that joined the European Union in 2004. Among the old EU Member States, only Germany and Austria have fully exploited the agreed seven-year transitional period.

The abolition of restrictions will release Polish citizens who are interested in employment in Germany from the requirement to obtain a work permit. Furthermore, existing trade limitations on the freedom to provide services in the German market will be abolished. Until now, construction services, cleaning and interior decorating could be carried out only on the basis of a 1990 bilateral agreement on the posting of workers from Polish enterprises to carry out work contracts under a quota, which was determined annually.

Some facilitation of access to the German labour market had been introduced in previous years for, among others, university graduates and from 1 January for seasonal workers. In parallel, a large number of Poles started their own businesses in Germany, as these enterprises were not limited during the transition period.

Forecasts. Attempts to estimate the scale and structure of the movement of Polish workers to Germany from 1 May face considerable limitations. Particularly, migration flows were significantly modified by the non-simultaneous liberalization of labour markets in older EU Member States—the traditional emigration destinations of the Central European region gave way to the new.

Prevailing opinion holds the influx of Polish workers to the German market will be gradual. The Polish Ministry of Labour and Social Policy estimates that the number of migrants could reach 400,000. Migration could be encouraged by geographical proximity, the existence of social networks supporting adaptation to the new environment and traditional economic migration to Germany. Many Poles already know the German labour market. Although the difference between the level of earnings in Poland and Germany has been steadily decreasing, wages in Germany remain attractive, especially for low-skilled workers. This group, as well as medium-skilled workers, probably will be the most interested in migrating. Germany is still among the most preferred destinations, which is confirmed by the steady stream of Polish migrants since 2004, despite restricted access to the labour market.

However, there are indications that interest in working in Germany may be only moderate. The migration potential for Poles has been largely exploited. A large number of interested workers already have gone to EU countries that previously had opened their labour markets. Also the relatively good economic situation in Poland supports the decision to remain at home. Even the difference in wage levels between Poland and Germany may not provide a sufficient incentive

for employees with high qualifications. An important factor against migration is the requirement to know the German language, although that plays a smaller role for highly skilled workers for whom knowledge of English may be sufficient. The language requirement may be a decisive factor for the small number of Polish youth taking vocational training in Germany.

One can assume the opening of the labour market will be largely used by Poles already living in Germany. It offers the prospect for the legalization of employment for those already working in the informal economy. Furthermore, people who carry on their individual business can switch to employment covered by social insurance. There is the possibility of a transfer of migrants from countries strongly and negatively affected by the economic crisis. During the first wave of migration after 2004, many Poles chose Great Britain or Ireland as a replacement for Germany because of the difficulties gaining legal employment in that Member State.

The Opening of the Labour Market from a German Perspective. The passing of the transition period coincides with favourable circumstances. The German economy is recovering rapidly after the crisis, and economic growth has resulted in the lowest unemployment rate since 1992. In February, it was 7.9%. The demand for labour is growing. Furthermore the influx of workers can bring benefits such as the reduction of the adverse effects of demographic change in German society.

At the same time, Germans have identified a risk to low-skilled German workers who may find increased competition from migrants. The possibility of posting and lending out staff from Central and Eastern European Member States is seen as a threat. The possible impact of the influx of cheap labour from outside on the maintenance of stable employment conditions in Germany is the cause for concern. To offset the potential negative effects on German nationals in the labour market, new sectors were covered by a minimum wage. Furthermore, the SPD, the Left and the Greens as well as trade unions, support the idea of a universal, statutory minimum wage.

German politicians and experts expect adverse effects on the opening of the labour market in border areas because of the difficult economic situations there. They are concerned about the possibility that Poles and Czechs will work on the German side while keeping their current residences on the other side of the border.

Challenges for Bilateral Relations. In the medium- and long-term, the lifting of restrictions on the labour market will be beneficial for both countries. However, in the first stage it may result in tensions. Workers coming after 1 May are likely to partially mistake German market preferences. An important issue for the German administration will be to prevent the possible abuse of the freedom to provide services, so one can expect enhanced scrutiny of Polish companies operating in the German market.

One of the most important challenges for all parties is the apparent concern in German society about the opening of the labour market. According to a recent poll of Germans for *Welt am Sonntag*, nearly three-quarters of respondents say they are concerned that the lifting of restrictions will lead to job losses by German workers. No fewer than 43% of the respondents (50% in eastern Germany) see a threat even for skilled workers. Under those circumstances, one can expect that German media would customize the messages. Reporting will probably focus primarily on incidents that may strengthen the thesis of wage and social "dumping." Also, allegations of abuse of the German social-welfare system by citizens of Central European Member States seem to be likely topics for media, regardless of the statistical reality of the phenomena. In a particularly adverse scenario, it's possible there would be a reversal of the favourable trend away from negative stereotypes about Poles and Poland. There is also a possibility that the influx of Polish workers could be an issue in campaigns before the September elections in Mecklenburg-Vorpommern and Berlin.

Recommendations. In the face of potential tensions, the need arises for fair information policies in both countries. The states also should take full advantage of the growing cooperation between Polish and German employment services.

The projected influx of Polish nationals to Germany opens the possibility to increase the activity of Polish organizations in the country. These organizations face the challenge of adapting their activities in such a way that it is also attractive for newly arrived migrants, including those not intending to establish residency in Germany. At the same time, these organizations should make efforts to partner with the German administration on issues connected with the integration of those who decide to stay in Germany for longer periods or permanently. It is also worth promoting positive integration experiences involving Poles in Germany.